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Statement of
Executive Director Hakim Ouansafi
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Before the

HOUSE COMMITTEE ON FINANCE

January 16, 2018 1:30 P.M.
Room 308, Hawaii State Capitol

In consideration of
**INFORMATIONAL BRIEFING RELATING TO
THE STATE DEPARTMENT OF HUMAN SERVICES BUDGET**

Honorable Chair Luke and Members of the House Committee on Finance, thank you for the opportunity to provide you with comments regarding the Department of Human Services – Hawaii Public Housing Authority budget programs HMS 220, 222 and 229.

Overview

I. Mission Statement

The Hawaii Public Housing Authority (HPHA) is committed to providing adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.

II. Current State-Wide Conditions Affecting HPHA

- Homelessness

The HPHA is the sole statewide public housing agency for the State of Hawaii, and was established by the Territory of Hawaii in 1935 to provide safe, decent, and sanitary housing for low-income residents. While there is a complex hierarchy of needs that exist for people who are homeless, the HPHA plays an integral part in combatting the homeless crisis through its public housing and rental subsidy programs.

During fiscal year 2017 (FY17), the HPHA worked with homeless service providers and other state agencies to combat the homeless crisis. In response to Governor Ige's Emergency Proclamation to provide emergency relief to address the homeless crisis, the HPHA took swift action by requesting the HPHA Board of Directors to adopt "Special Rent Supplement Program

Emergency Rules” in 2016. This allowed the HPHA to contract with Catholic Charities of Hawaii with the purpose of quickly screening homeless families in need of assistance to the HPHA, and to allow a maximum payment of \$1,000 per household. During this emergency period, the HPHA was able to assist 87 homeless families in attaining rental housing, and with the additional staff from the Legislature, the HPHA was able to grow the program from serving 165 families in FY 16, to 268 families in FY 17. As for FY 18, 494 families have been served.

- Aging Housing Inventory

The HPHA is required to maintain safe, decent and sanitary housing for our tenants which requires not only renovations of vacant units, but continued repair and maintenance of occupied units. The age of our housing inventory makes this a challenging and costly task. This issue highlights the need for the appropriate skilled manpower, and funding for such projects. In response to the need, the HPHA partnered with the United Public Workers (UPW) and the Hawaii Government Employees Association (HGEA) to identify and develop a pilot project, and reorganize its current operations to establish Multi Skilled Worker (MSW) teams to assist not only in expediting the availability of vacant units, but to also assist in the repair and maintenance at the properties. This pilot program took effect on 10/01/2015 and currently features 34 skilled workers who train and cross train in the various trades (e.g., carpentry, plumbing, electrical). Since its inception, the MSW unit has renovated 216 units, performed 195 additional repairs, and maintain an average 7-day turn-around time through FY 17. We are very appreciative of the positions that were provided to the Agency last year, and we are currently establishing a new class of Civil Servants.

The HPHA also continues to manage federal capital funds and state capital improvement project funds to conduct major capital repairs and improvements, address site and unit accessibility, and replace obsolete major systems. Last year, the Legislature appropriated \$20.175 million to address the capital repair needs of the state’s public housing inventory. The HPHA is grateful for the Legislature’s and the Administration’s continued support of its request for capital funds.

- High Cost of Construction/Shortage of Workers

While all signs point to the construction industry reaching a plateau, it will likely remain at its current elevated level for several years. According to UHERO, University of Hawai`i Economic Research Organization’s Annual Hawai`i Forecast Summary dated September 29, 2017, “Construction is now past the peak of this building cycle. The industry added 6,000 jobs between mid-2014 and mid-2016, accounting for roughly one-third of all new jobs during the period. Since then, a number of significant condo and retail projects have wrapped up, while fewer new buildings have broken ground, resulting in an overall reduction in construction activity and jobs.

The Department of Business, Economic Development and Tourism (DBEDT) reported that the indicators of Hawaii’s construction industry were mostly negative in the third quarter of 2017.

The private building authorizations, government contracts awarded, and construction jobs all decreased. Only the State CIP expenditures increased.

Pacific Business News has reported that the costs to build in Honolulu are still among the highest in the nation, and despite the construction industry winding down, the Construction Branch continues to remain severely understaffed with either inexperienced applicants or State Civil Service salary rates not able to compete with the private sector.

- Accessibility

One of the most important priorities of the HPHA besides health and safety issues, is ensuring that its public housing, community spaces and pathways are accessible to persons with disabilities. The HPHA continues to work hard in making the Agency's properties compliant with the Americans with Disabilities Act (ADA) as well as the Department of Housing and Urban Development's (HUD's) Uniform Federal Accessibility Standards (UFAS). Where possible, when modernizing a site, the HPHA strives to ensure that the property be above the minimum requirements for achieving accessibility. Where site conditions allow, more than the ADA minimum required accessible units and parking stalls are provided, including improvements to units to make them accessible to the visually and hearing impaired as well as adding additional units that are easily convertible to become accessible units, allowing residents to age in place.

In FY2016-17 the HPHA created 10 ADA/UFAS compliant units and 18 community areas were made accessible together with accessible parking and routes of travel. Additionally, it created 3 visual and/or hearing-impaired units. \$459,856 was spent in design and \$5,412,678.51 was spent in construction toward this effort. That being said, please know that the combined ADA design and construction total spent over the last 6 years is \$34,656,049.51.

Federal rules require that 5% of all units be accessible for mobility and an additional 2% be accessible for the visually and/or hearing impaired. As of August 3, 2017, out of a total of 5,942 units, 296 units or 4.98% were compliant for mobility and 156 units or 2.63% were compliant for the visual/hearing impaired. The challenges to making each site compliant with the 5% mobility and 2% visual/hearing impaired total accessible units requirements, is sometimes hilly or steep site conditions, limited space for parking and the structural constraints of the existing aged inventory. Where properties cannot be made compliant at one site, HPHA strives to make a nearby site exceed the accessibility requirements to accommodate those in need of accessibility features. With another 19 units for mobility and 31 units for visual/hearing under construction, the HPHA will be at 5.3% compliance for mobility and 3.15% compliance for visual/hearing impaired units. Although the HPHA will be in the target range with federal accessibility requirements when construction is completed, the HPHA will continue to make additional units accessible with a goal of attaining these percentages as much as is feasible at each of its properties.

- Long Waiting lists

For many of the most vulnerable population of our State, the HPHA is the last hope before homelessness. This prompted the HPHA into looking to increase our housing inventory.

With the vast majority of the HPHA's property inventory at or near the end of its useful life, combined with the acute shortage of affordable housing in Hawaii, the HPHA views this as an opportunity to expand the number of affordable rental housing units for the State, to leverage financing through public/private partnerships, take advantage of City and County of Honolulu Transit Oriented Development (TOD) incentives and benefits, and to create more livable, vibrant and integrated communities.

HPHA has identified several properties that could immediately benefit from this approach, whose redevelopment will also expand the inventory of critically needed affordable rental housing units on Oahu.

Mayor Wright Homes – The HPHA partnered with the Hunt Development Group to redevelop one of the oldest and largest low-income public housing property in the HPHA's portfolio. The site is approximately 15 acres and will look to deliver approximately 2,500 new homes, over five two-year phases, including one-to-one replacement of all 364 existing public housing units, affordable workforce units, as well as market-rate units targeted to a variety of income levels.

The Master Development Agreement has been signed, the Final Environmental Impact Statement (FEIS) is almost complete, and the Federal National Environmental Policy Act (EIS) is underway with an estimated completion date of November 2018.

North School Street – The HPHA partnered with the Retirement Housing Foundation non-profit organization to redevelop the HPHA administrative offices located at 1002 North School Street. The site consists of approximately 12 acres, and the project will include HPHA offices, approximately 800 affordable elderly rental housing units, and commercial uses that best serve the surrounding community.

The Draft EIS (DEIS) has been released and is in the public comment period.

- Shortage of units for Families Assisted by the Housing Choice Voucher (HCV) and the Veteran Affairs Supportive Housing (VASH) programs.

The HCV (Section 8) program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program currently provides rental assistance to about 2.2 million families nationwide. Based on data from HUD, of the families currently receiving HCV assistance, 76 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 36 percent have a disabled head of household, and 24 percent are elderly.

The HCV program is administered by approximately 2,300 Public Housing Agencies (PHAs) nationwide. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice provided the rental unit passes a Housing Quality Standards

(HQS) inspection performed by the PHA. The PHA pays the housing subsidy directly to the owner of the unit on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the unit and the amount subsidized by the program.

The HUD-Veterans Affairs Supportive Housing (HUD-VASH) program combines Housing Choice Voucher (HCV) rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). VA provides these services for participating Veterans at VA medical centers (VAMCs) and community-based outreach clinics.

The HPHA plays a major role in our state for these programs. Beginning in 2008 until April 2015, the HPHA was the sole administrator for the VASH program vouchers in Hawaii, and we are currently housing 465 veterans. An additional 45 veterans with vouchers are currently searching for a suitable housing unit.

For the HCV program, the HPHA is presently housing a total of 2,392 families (over 6,600 individuals)

In addition to the above information, below are some additional HPHA highlights for FY 2017:

- For our public housing federal properties, the HPHA is presently housing 4,374 families and for the state public housing, the HPHA is presently housing 819 families totaling over 14,000 individuals. In 2017, we were able to provide 457 public housing units for new families and transfers.
- On the construction front, the HPHA procured and awarded 14 new construction and 10 new design contracts in 2016-2017, encumbering/obligating \$40,613,058 in new contracts. This is in addition to the on-going design and construction contracts that were awarded in previous years.
- 5 out of 7 HPHA properties significantly improved statewide Real Estate Assessment Center (REAC) inspection scores from the U.S. Department of Housing and Urban Development from the previous year's inspection. The remaining properties were not inspected due to their high scores in the previous year's inspection.
- We continue to notice an increase in reasonable accommodation requests. In 2013, we received 560 requests, in 2014 we received 674 requests and in the year 2015, it went up to 775 requests. In 2017, the HPHA processed, reviewed and granted 918.

Federal Funds

The HPHA currently operates three major types of federal programs: 1) Federal low-income public housing; 2) Federal rent subsidy program; and 3) Federal project-based rental assistance program

In Fiscal Year 2016-2017, the HPHA received federal grants and subsidies of:

- \$24.05 million for Federal Low Rent Program; \$9.2 million for Federal Capital repairs;
- \$32.08 million for Section 8 Housing Choice Voucher program; and
- \$32.74 million for Section 8 Contract Administration program; totaling \$98.07 million from federal sources.

In administering federal and state housing units, the HPHA received \$21.78 million of rental revenue, and \$0.38 million of other revenue. Federal proration of housing assistance funds for the Section 8 program is increasing to which could result in the HPHA expending all of the HUD held reserves for its programs.

All federal funds fees that HPHA earns is at risk of becoming refederalized. Currently, the HPHA has the ability to use these funds in any manner which helps low-income housing. While the HPHA is not at-risk of losing these funds, the refederalization earned management fees will require the HPHA to expend earned fees only on federal projects. This will eliminate the ability to use the monies on all state projects or state programs that assist low-income families. The HPHA, other housing agencies, and national housing industry groups are working to mitigate the negative impact of this proposed policy.

Budget Request

I. HPHA Budget Process

The HPHA Chiefs of each HPHA branch meet frequently throughout the year to discuss, plan, formulate and implement the CIP and Operating budget request to the Executive Branch. With the HPHA's inventory averaging 50 years of age, unexpected situations occur throughout the year and change the agency's priority needs. The HPHA partners with a professional Planning firm that utilizes teams of Architecture and Engineering firms to determine point-in-time physical needs assessment of all HPHA properties to determine a plan of priority needs. The HPHA would deeply appreciate a lump sum of CIP funding that allows the Agency to meet immediate and urgent situations with flexibility. Proposals are vetted through the HPHA's Board of Directors.

II. Significant Adjustments to Budget Requests

The HPHA respectfully requests the continued support of the Legislature as we strive to provide permanent housing to families and individuals on the verge of homelessness.

A. Increase Fringe Benefits.

For Program IDs HMS220, HMS222, and HMS229, the HPHA is requesting federal fund ceiling increases of \$1,493,691, \$65,338, and \$941,417. The requested ceiling increases are needed due to an increase in the federal fringe benefits rate to 60%. The composite federal fringe benefit rate will cover:

- Pension accumulation
- Pension administration
- Retiree health insurance
- Employees' health fund
- Workers' compensation
- Unemployment compensation
- Social security
- Medicare
- Other post-employment benefits

B. Add general funds to maintain current Rent Supplement subsidies.

The HPHA was granted the authority to increase the amount of rent assistance provided to participating households under the State Rent Supplement Program, and is requesting an additional \$1,551,577. The increase in the maximum amount of rental assistance provided per family has resulted in an increased demand for these vouchers. In response to the demand for housing assistance for homeless individuals and families and the high rents in Hawaii, the HPHA increased both the number of families served and the total amount of assistance provided. The current base appropriation cannot support the current program participants and the HPHA may have to terminate assistance to participating families.

C. Lump sum for public housing development, improvements, and renovations statewide

Due to the age of our housing inventory, and unexpected issues that often occur, the HPHA respectfully requests your consideration for a lump sum budget request (as you have done in the past), which will provide the agency with the flexibility of managing and expending capital funds in an expeditious manner. These crucial funds will provide the agency with the ability to tackle its capital needs backlog of approximately \$825 M in capital needs. The agency has properties that have been built over 50 plus years ago, and the issues at these properties need to be addressed.

Some of the situations that need to be addressed are straight forward site and building improvements such as new roofing needs at Hale Aloha O Puna on Hawaii Island, to unforeseen issues such as a boulder crashing into a unit, and to federally mandated Americans with Disabilities Act improvements at all HPHA properties.

The current supplemental budget before you has \$33,500,000 in lump sum CIP. This appropriation will assist to expedite the repair and maintenance and remodeling of hundreds of units. The construction projects including site improvements, ADA compliance, structural repairs, re-roofing, infrastructure upgrades, concrete spall repairs and painting. It will also allow us to design projects that could potentially add up to 3,300 mixed-income and affordable elderly units at Mayor Wright Homes and School Street properties.